

PUBLIC DISCLOSURE

October 7, 1996

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Sabine State Bank and Trust Company
08141_961007**

**297 Elizabeth Street
Many, Louisiana 71449**

Federal Deposit Insurance Corporation

**5100 Poplar Avenue, Suite 1900
Memphis, Tennessee 38137**

NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of **Sabine State Bank** prepared by the Federal Deposit Insurance Corporation, the institution's supervisory agency, as of **October 7, 1996**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 345.*

INSTITUTION RATING

INSTITUTION'S CRA RATING: This institution is rated Outstanding.

The loan to deposit ratio is more than reasonable, with a substantial majority of lending within the assessment area. There is an excellent penetration to borrowers of all income levels, especially to low and moderate income individuals, and loans are made in all geographies within the assessment area.

RATINGS MATRIX:

*The following table indicates the performance level of **Sabine State Bank** with respect to each of the five performance criteria.*

SMALL INSTITUTION ASSESSMENT CRITERIA	PERFORMANCE LEVELS <u>Sabine State Bank</u>		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does Not Meet Standards for Satisfactory Performance
Loan-to-Deposit Ratio	X		
Lending in Assessment Area	X		
Lending to Borrowers of Different Incomes and to Businesses of Different Sizes	X		
Geographic Distribution of Loans		X	
Response to Complaints	No complaints were received since the previous examination.		

DESCRIPTION OF INSTITUTION

Sabine State Bank's main office is located in Many, Louisiana. There have been five new branch openings since the last compliance examination. There are two additional branches in Many; one branch in Converse; one branch in Florien; one branch in Zwolle; one branch in Pleasant Hill; one branch in Fort Polk; two branches in Leesville; two branches in Winnfield and one branch in Jena, Louisiana. There are automated teller machines at each branch except the branches at Converse, Pleasant Hill, and Winnfield. Also, there are two loan production offices located in Many and Leesville, Louisiana. Total assets as of June 30, 1996 were \$163,236,000. Assets consisted of loans at 57 percent, securities at 27 percent, and all other categories at 16 percent. In addition to routine mortgage and consumer loans, the bank offers home equity lines of credit, overdraft protection accounts, and credit cards. An automated phone banking service is also available to customers free of charge.

As of June 30, 1996, the bank's loan portfolio was comprised of the following types of loans:

LOAN TYPE	AMOUNT	PERCENT
Loans secured by real estate	55,203,000	59
Agricultural production	7,267,000	8
Commercial	12,678,000	14
Consumer	16,798,000	18
Industrial Obligation Bond	1,323,000	1
Other loans	104,000	0
TOTAL	\$93,373,000	100

There are no legal impediments or other factors which would prevent the bank from helping to meet the credit needs of its assessment area.

DESCRIPTION OF THE *PARISHES OF SABINE, VERNON, WINN AND LASALLE*

The bank's assessment area consists of the Parishes of Sabine, Vernon, Winn and LaSalle. Population of this entire area is 114,538 with 84,703 Whites (74 percent), 22,668 Blacks (20 percent), and 7,167 other races(6 percent).

The population income levels used to evaluate the bank are provided in the following table, as a percent of Median Family Income (MFI), and by income ranges based on the 1990 and 1996 State of Louisiana non-Metropolitan Statistical Area (MSA) MFI. The 1990 income ranges were used to analyze geographic distribution based on census data, and the 1996 ranges were used to analyze lending to borrowers of different income levels based on each borrower's current income.

INCOME LEVEL	DEFINITION	1990 RANGE	1996 RANGE
Low	Less than 50%	Under \$10,602	Under \$12,600
Moderate	50% to 80%	\$10,602 - \$16,962	\$12,600 - \$20,159
Middle	80% to 120%	\$16,963 - \$25,443	\$20,160 - \$30,240
Upper	120% and More	\$25,444 and Over	\$30,240 and Over

There are 23 Block Numbering Areas (BNAs) within the assessment area. With the exception of BNA 9501 which is upper income, all the BNAs are considered middle-income geographies. The bank's main office is located in BNA 9804 in Sabine Parish. There are seven other financial institutions and two savings associations operating within the assessment area.

An analysis was made of the number of families within the various income ranges using 1990 census data. The ranges are only provided in bands of \$2,500; therefore, they vary slightly from the MFI definitions. The analysis revealed the following distribution of families by income level within the assessment area.

INCOME LEVEL	INCOME RANGE	NUMBER	PERCENT
Low	Under \$12,500	7,554	25
Moderate	\$12,500 - \$19,999	6,528	22
Middle	\$20,000 - \$29,999	6,555	22
Upper	\$30,000 and Over	9,246	31
TOTAL		29,883	100

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

With the exception of the loan to deposit ratio, the conclusions with respect to the performance criteria were based on a random sample of business and consumer loans originated since April 1996. The sample consisted of 135 consumer loans selected from a total of 479, and 121 business or commercial loans selected from a total of 330. The loans were reviewed and compiled to determine their distribution by geography, including location in or outside the assessment area, and by the borrower's income level.

Loan to Deposit Ratio

The bank's loan to deposit ratio is 61 percent, based on the past nine quarters since the previous examination. This ratio is modestly lower than the bank's peer group ratio of 69 percent for the same period, but notably higher than the 18 to 55 percent ratio of other financial institutions located in the assessment area. To the bank's further benefit, its ratio is substantially understated when considering that it has sold \$26,519,264 in mortgage loans through its loan production offices, sold \$16,534,780 in loan participations to other banks, and sold \$853,000 in loans to the Federal National Mortgage Association (Fannie Mae). Factoring in the outstanding balances of these loans, as of September 30, 1996, increases the loan to deposit ratio to 81 percent.

The loan to deposit ratio is considered above average given the bank's size and financial condition, and the competition and other characteristics of the assessment area.

Lending in the Assessment Area

The following table depicts the distribution of loans inside and outside the assessment area.

LOCATION	NUMBER	PERCENT	AMOUNT	PERCENT
Inside Assessment Area	241	95	19,718	83
Outside Assessment Area	15	5	4,020	17
TOTAL	256	100	\$23,738	100

As the table confirms, a substantial majority of the bank's loans, both by number and dollar volume, are located within the assessment area.

Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

The following table reflects lending distribution of consumer loans originated inside the assessment area by number and amount, based upon the income of the borrower. Income levels are based on the 1996 State of Louisiana non-MSA MFI. The table indicates that 61 percent of the number of loans and 53 percent of the dollar volume were originated to low and moderate income borrowers. This compares favorably to the 47 percent of families in the assessment area that fall within the low and moderate income categories.

INCOME LEVEL	NUMBER	PERCENT	AMOUNT	PERCENT
Low	30	24	148,068	18
Moderate	47	37	284,402	35
Middle	22	18	164,236	20
Upper	27	21	218,768	27
TOTAL	126	100	\$815,474	100

The following table indicates that a substantial majority of commercial loans have been originated to small businesses that generate less than \$1,000,000 in gross annual revenue.

GROSS REVENUE	NUMBER	PERCENT	AMOUNT	PERCENT
Under \$1,000M	85	74	8,199,396	43
Over \$1,000M	30	26	10,703,882	57
TOTAL	115	100	\$18,903,278	100

In summary, the above tables indicate that relative to the demographics of the assessment area, the bank has performed above average in providing credit to all income levels of borrowers, including consumers in the low and moderate income categories.

Geographic Distribution of Loans

The following table shows the dispersion of loans throughout the assessment area. As indicated earlier, there are 23 BNAs located within the four parishes, and none are characterized as low to moderate income. Except for BNA 9501 which is described as upper income, all the BNAs in the assessment area fall within the middle income range. While low to moderate income households comprise approximately 45 percent of each parish, they are generally evenly spread throughout the parishes.

Parishes/ BNA	Number of Loans	Percent of Loans	Loan Volume	Percent of Volume	Population/ Percent
Vernon 9501- 9509	44	18	4,729	24	61,961 54%
Winn 9601-9604	56	23	1,599	8	16,269 14%
LaSalle 9701-9703	37	16	419	2	13,662 12%
Sabine 9801-9807	104	43	12,971	66	22,646 20%
TOTAL	241	100	\$19,718	100	114,538 100%

The bank's penetration in Vernon Parish is relatively low given that 54% of the assessment area's population resides in that parish. The low rate is explained, however, by the fact that until August 1995, the bank was able to service customers in Vernon Parish only through six ATMs located on Fort Polk, which is a U.S. Army base located near the Town of Leesville. In August 1995, the bank opened a full service branch and a loan production office in Leesville as a means of generating additional business in that area, including loans. It is also noted that Vernon Parish is not considered an extensive residential community because Fort Polk and the various forestry parks comprise a large portion of the parish.

The table further shows that the highest percent of loans, by number and by amount, are located in Sabine Parish, which is the domicile of the bank's main office. In summary, there appears to be no unexplained or unwarranted lending concentrations, and it is concluded that loans are reasonably dispersed throughout the different geographies.

Community Development Services

The following comments summarize the bank's participation in community development projects that directly benefit low to moderate income individuals. These activities further enhance the significant service the bank provides to the community through its routine lending function.

The Fannie Mae Community Home Buyers Program is a new program designed for low to moderate income individuals who earn up to \$30,000. Financing is available for up to 30 years for new construction or the purchase of an existing home. Other benefits include a low down payment and partial payment of closing costs. No grant funds have been allocated at this time due to the recency of the bank's participation.

The Helping Hand Grant Fund is a program developed by the Federal Home Loan Bank. The program is designed to provide grant funds to families with incomes at or below 80 percent of the area's median income. The bank submits a list of qualified low to moderate income individuals, and grant funds will be provided for the down payment, closing costs, or prepaid item assistance as a means of reducing the principal amount of the loan and/or create a principal guarantee pool. As of September 30, 1996, loans in the amount of \$554,500 were available for grant funds.

The Louisiana Housing Finance Agency is a federal program targeted exclusively for low and moderate income families. The bank has recently been approved to participate in this program by receiving grant funds to apply to closing costs and down payments. The terms of the loans are 30 years with concessionary interest rates.

COMPLIANCE WITH ANTI-DISCRIMINATORY LAWS AND REGULATIONS

No substantive violations of anti-discriminatory laws and regulations were identified during the examination.